

Advance Global Capital a new source of funding for SMEs in emerging markets.

[UK](#), Tuesday, 24 September 2013

Advance Global Capital provides financing for SMEs in developing countries and frontier markets which are not adequately served by the traditional banking sector. In doing so, AGC offers well underwritten exposure to alternative investments which deliver not only attractive financial returns, but demonstrable social and economic impact. Investors are private individuals although the intention is to extend opportunities to investment funds and businesses. AGC is headquartered in London UK, with representative offices in the USA, Argentina, South Africa, Kosovo, and the Philippines. Founders of the business, Admir Imani and Janet McKinley talk to Factorscan about their business and the vision they have in providing sustainable futures for SMEs in some of the world's poorest economies.

Advance Global Capital is a relatively new funding business. What made the two of you decide that this was the right time for such a venture is there a gap in the market?

Individually, we have been involved in working with SMEs in [emerging markets](#) for a number of years from the perspectives of both finance and international development. We know that many SMEs are unable to access [working capital](#) from the traditional [financial institutions](#) in their local markets because they don't have sufficient collateral or [credit history](#). We also see that common trade receivables products such as factoring and [invoice discounting](#) are virtually non-existent in many emerging markets. This has been exacerbated by the financial crisis and an increase in regulations such as Basel III, restricting banks' ability to lend and reducing their receivables financing operations in emerging markets.

We are excited by the opportunity for AGC to introduce these time-honored financial tools in support of SMEs and to help strengthen financial supply chains. In jurisdictions where the financial infrastructure is immature, AGC can also work with large multinational buyers and domestic firms to provide [supply chain finance](#). This allows AGC to manage its credit risk effectively since credit information on large corporates is readily available, and to charge a premium which takes into account the additional risk.

We envisioned AGC from the outset as both a provider of capital and as an [investment fund manager](#). Using a fund structure, we are not limited by capital ratio requirements, can operate internationally and buy and sell emerging market assets within our defined risk/return profile. By being flexible in our product offering we will be able to reach SMEs that were previously unable to access capital, and by using an online platform we will be able to process transactions more efficiently and to scale more quickly.

We are both very much mission-driven – we intend to generate stable, risk-adjusted returns for investors and at the same time create positive social impact in emerging markets. In providing SMEs with access to finance means that they will enjoy better cash flow, can turn their inventory more quickly and can therefore expand and remain solvent at more rapid rates of revenue growth. This in turn greatly increases their ability to create jobs and bring development and prosperity to the communities in which they operate.

What is your proposition; how are you positioning the business in the global markets; who are your target clients?

Unlike most other fund managers, AGC targets the SME sector around the world, particularly in emerging markets, with local manufacturing and export companies a priority in our portfolio. We offer a reliable funding solution to our local partners by providing liquidity to SMEs. To succeed, our footprint covers three different areas – funding local producers and exporters, funding undercapitalized financial institutions in helping them finance their SME base and finally supporting large corporates in local markets via tailored supply chain finance programs.

In order to achieve scale and reach more SMEs, AGC sometimes works through local intermediaries – either financial institutions (FIs) or corporates – to deepen and strengthen sustainable supply chains in emerging markets.

Furthermore, AGC believes that financing the so-called “missing middle”—between micro-finance and large enterprises—can deliver attractive returns to investors, while at the same time fueling SME growth. With it will generate growth in employment (particularly for women), wages, and a range of other positive impacts for the world's poorest nations. Marginalized communities will be able to build greater resiliency thanks to the growing strength of their local businesses and the virtuous circle of goods and services which evolve. Generating an economic and social benefit in emerging markets depends on the sustainability of the “missing middle.”

As part of our business strategy, AGC has developed specific social impact goals related to access to finance and job creation for SMEs. In order to achieve these goals, AGC will not only provide finance but also technical assistance (TA) to support the different stakeholders involved – the FIs, Corporates and SMEs – so that knowledge and capacity is transferred locally to ensure that properly designed financial structures evolve and are sustainable over

the long term.

What are your backgrounds, are you both bringing different qualities into the business and what about the rest of the team behind the business

Janet: My first job was with a large global paper and forest products company supplying customers all over the world. Working in the finance department, I could see firsthand the complex issues facing any business. That insider's view was enormously helpful when I moved over to the investment business in 1982 and took on the challenge of evaluating the equity and debt valuations of a wide range of companies listed on the global exchanges. As Principal Executive Officer and Chairman of The Income Fund of America, I was responsible for billions of dollars in assets under management. Now Admir and I are gearing up for the launch of a \$100 million investment fund. Regardless of the size, the work involved is much the same.

And I'm excited to be investing in "paper" which is tied so directly to the production of these smaller companies. Investors in Advance Global Capital's fund will have the satisfaction of knowing that their money makes a tangible difference, immediately, to the success of up and coming smaller businesses around the world. Returns to investors will not be based on making "bets" or financial engineering. I retired in 2004 to become much more involved with organizations like Oxfam America and Grameen Foundation USA, focused on helping the most vulnerable communities in the world. Only the prospect of working with Admir on AGC's mission could induce me to get back in the investment business.

Admir: I started my Wall Street career during the internet boom, and I was able to witness how the growth and wealth created in the developed world inspired the rest of the globe to transform their economies to allow more foreign capital to flow in to their countries and spur economic growth.

Inspired by how flows of capital can have positive impact in emerging markets, if managed correctly and with purpose, I left New York with eight years of Wall Street experience to embark on a life mission to use my skills to make the world a better place for all. Without a formula or connections, I decided to start in the Balkans where my family is originally from and founded the first licensed Mortgage Lender in Kosovo along with local partners. Our mission was to provide affordable housing loans in a post conflict country, either for refurbishing war damaged homes or provide new families the opportunity to own a home. I witnessed first-hand the impact that our financing was having on the community – for example we provided loans to women who lost their family in the war and allowed them to build an independent life and create wealth. Months later, we also expanded our product to offer loans to micro owners.

That experience drove my passion for financial innovation to making long lasting impact and economic growth, and has been incorporated in all of my roles thereafter. It is how I met Janet in Ethiopia, and why we have embarked on a new mission of deploying capital across the globe through receivable finance structures and leveraging IT to scale and manage risk.

The rest of the AGC team is truly global, representing over twelve countries and speaking more than ten languages. Our team's excellence rests on a foundation of professional and personal integrity, upon which we have built technical and global expertise in relation to investment management, frontier banking, risk management, international law, IT design and social impact assessment. With experience operating through numerous economic and market cycles in both developed and emerging markets, the team has demonstrated a track record of managing global risk across a range of asset-based lending strategies, serving the needs of growing businesses and delivering consistently attractive returns on invested capital. And we have accomplished all this in ways which contribute to broader prosperity and resiliency within emerging markets.

What key trends are AGC seeing in international trade and what of future plans for AGC?

There is a common theme around the world and that is the local banks who, traditionally are the main funders to local businesses, are not providing sufficient working capital funding to the SME sector. There are a variety of reasons depending on the region/country. For example, in mature markets such as EU, banks perceive the SME sector as higher risk and still have not recovered fully from the 2008 credit crisis. Additionally, due to Basel III, multiplied by other national regulatory environments in many countries, there are now new requirements for these banks to increase their capital while reducing their leverage and exposure to many asset classes, impeding their ability to lend and grow their portfolio. In other markets such as in the emerging markets, many FIs, due to lack of adequate and intelligent capital and new technology, have been severely restricted in how much, what format, and to whom they can lend.

Key statistics:

- McKinsey (2010) estimates the total unmet need for credit by SMEs in emerging markets is in the range of USD 2.1 trillion to USD 2.5 trillion.
- The financing of cross-border [trade receivables](#) is now the fastest growing form of trade finance, easily outstripping growth in more traditional form such as letters of credit. Cross-border factoring showed a compound annual growth of 22 per cent a year from 2003-2012, while separate figures show that other forms of cross-border trade finance, including letters of credit, grew only 1.2 per cent.

Although a huge market, worth more than EUR2.1 trillion a year, distribution of receivables finance around the world is very uneven and is overwhelmingly concentrated in developed markets.

AGC recognizes the need for an alternative-funding proposition to SMEs around the world. AGC seek to achieve this by bridging the gap between the world's capital markets and local borrowers, such as local Financial Institutions and SMEs. AGC has only just started business but our footprint is already being put in place around the world. We have launched a pilot for supply chain finance in Kosovo and will be working in Peru, Philippines and Italy in the coming months. Our fund will provide an equitable liquidity solution to businesses and FIs around the world. Our reach will be a truly global-- network of partners linked to our global fund investors.

About Janet McKinley: after a successful start in corporate finance and over two decades managing billions of dollars in global equity and fixed income mutual fund assets for American investors, Ms. McKinley retired in 2004 as Principle Executive Officer and Chair of The Income Fund of America, as well as a director of Capital Research and Management Company (CRMC) which oversees mutual fund assets in excess of \$1 trillion. She currently serves as non-executive Chairman of the Berkeley Endowment Management Company (responsible for managing the endowment funds of University of California, Berkeley). Over the years, she has become increasingly involved in efforts to assist low-income women and small-scale farmers and businesses in developing countries gain access to financial services in order to manage their risks and significantly improve their economic situations. This is accomplished via for-profit investments by Money in Motion, LLC along with targeted philanthropic grants. Janet was chair of Oxfam America until the fall of 2010 and has served on the boards of Oxfam International, Smith College, the Deutsche Bank Microfinance Consortium Fund, Microcredit Enterprises and The Synapse Market Access Fund. She graduated summa cum laude from Smith College (Phi Beta Kappa) and attended the University of Krakow, Poland, as a Fulbright Scholar. She also attended the New York University Graduate School of Business.

About Admir Imani: Admir demonstrated his innovative leadership at the intersection of the private sector and the public good when he successfully launched the first private monetary financial institution in post-war Kosovo. He is committed to the operation of profitable businesses in accordance with the best interests of investors, customers, employees, and the community, in a sustainable manner. Admir is an expert at employing web-based technology to drive more efficient, streamlined and transparent services; creating innovative funding structures in support of liquidity needs and accessing capital markets to the benefit of all participants. He has over fifteen years of US and EU banking experience, of which his last eight years have been working in and with the emerging markets. Previously he has held executive positions with: Corporation Financière Européenne, Paris; Raiffeisen Bank, Austria; Atlantic Capital Partners, Kosovo; Merrill Lynch, New York. He holds a BS from Brooklyn College, City University of New York and an MBA from the University Of Chicago Booth School Of Business.

Janet McKinley & Admir Imani

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